

1996 Ontario Budget

Budget Highlights

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*Your Budget
Your Future*



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BUDGET HIGH 96

The Honourable Ernie E
Minister of Finance

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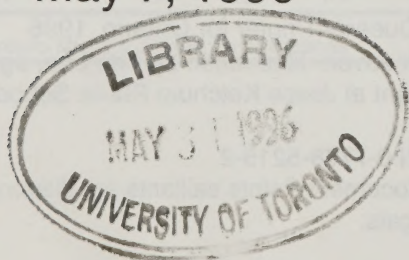


Ontario

Your Budget, Your Future

1996 Ontario
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May 7, 1996



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Medium Term Fiscal Outlook
(\$ Billions)


	Interim	Plan	Outlook
	1995-96	1996-97	1997-98
Revenue	47.8	46.7	46.1
Expense:			
Programs	43.7	41.8	40.4
Restructuring and			
Other Charges	1.4	0.9	-
Total Program Expense	45.1	42.7	40.4
Capital	3.5	2.7	2.2
Public Debt Interest	8.3	8.7	9.4
Total Expense	56.9	54.2	52.0
Reserve	--	0.7	0.7
Deficit	9.1	8.2	6.6

Note: Totals may not add due to rounding.

Ontario Economy at a Glance
(Per Cent)

	1995	1996	1997	1998
Real GDP Growth	2.5	1.9	2.8	3.0
CPI Inflation	2.4	1.4	1.6	1.8
Job Growth	1.4	1.5	1.9	2.0

Source: Ontario Ministry of Finance projections



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YOUR BUDGET — YOUR FUTURE

This is a Budget for the people of Ontario.

It leaves more money in the hands of hard-working Ontarians who have endured 65 tax increases in the past decade.

It invests in programs that are a priority for Ontarians such as health care, classroom education and community safety.

It reduces the cost and size of government.

It spends taxpayers' dollars more wisely.

And it builds a better future for ourselves and future generations.

The people of Ontario want to know that tomorrow will be better than today — for themselves, and for their children. The people of Ontario want jobs. They want action to get more people working, stimulate investment, provide them with greater opportunity and reward them for their initiative.

Cutting taxes is a key part of our plan to achieve these goals.

— Ontario Finance Minister Ernie Eves

WHAT'S NEW IN THE 1996 BUDGET

Ontario's **income tax** rate will be cut by 30.2 per cent over three years. 91 per cent of all taxpayers will see an Ontario tax cut of 30 per cent or greater.

A Fair Share Health Care Levy will be incorporated into the existing surtax on Ontario income tax.

The first \$400,000 in annual payroll will be exempt from the **Employer Health payroll tax**.

A new Co-operative Education Tax Credit of up to \$1,000 per co-op placement will help ensure students have enhanced employment opportunities, by providing corporations with a tax savings equal to 10 per cent of the costs of hiring a co-op student.

Funding for **innovative uses of technology in the classroom** is being doubled to \$40 million.

First-time buyers who purchase a newly-constructed home will receive a refund of their **Land Transfer Tax** of up to \$1,725.

The government will **increase the support available for child care** by \$200 million over the next five years. The Budget provides a total of \$600 million for child care this year—the highest level in Ontario's history.

The government is providing **quality health care** funding for 23 new Magnetic Resonance Imaging machines in locations across the province. It is expanding a program to aid in the early detection and treatment of breast cancer, which affects 6,000 women in Ontario each year.

The Budget introduces measures to **provide charitable organizations with up to an additional \$180 million annually**, to help them meet community needs.

The government is returning \$60 million to the **Northern Ontario Heritage Fund**. As a result, the Fund now contains \$120 million to be used exclusively for the benefit of the people of Northern Ontario. The government will continue to provide \$30 million annually to the Heritage Fund.

To ensure that Ontario remains a major player in the North American film industry, the government is providing a **refundable film and television tax credit** for eligible labour costs in Ontario.

To promote growth in rural Ontario, the government is providing \$15 million to **stimulate competitiveness in the agriculture and food sector**. It will rebate the Retail Sales Tax on building materials used to upgrade or modernize farm operations.

The government is on track to meet its commitment to **balance the budget** by fiscal year 2000-01. This year's deficit will fall to \$8.2 billion. That's a drop of more than \$3 billion since the government took office last year.

CREATING JOBS

CUTTING INCOME TAXES

The best job creation program is a tax cut for every Ontario taxpayer.

It puts extra money in Ontarians' pockets.

Families who have been struggling to get by and going into debt will be able to pay off their debts sooner, increasing their purchasing power and the pool of savings available for new investment. Lower taxes will provide more incentive for entrepreneurs to form small businesses, and for existing business owners to reinvest.

People with specialized skills will have an extra incentive to choose Ontario as a place to live and work—helping to build industries that can compete worldwide.

— Ontario Finance Minister Ernie Eves

Cutting income taxes by 30 per cent over three years

The first step of the income tax cut will take effect July 1, 1996. The amount of income tax deducted from people's paycheques will be reduced to reflect a tax rate of 54 per cent of Basic Federal Tax for the second half of 1996.

The second step will take place on January 1, 1997. Ontario's rate will be 49 per cent of Basic Federal Tax. That will bring us slightly more than half-way to a 30.2 per cent cut in Ontario's tax rate. When the tax cut is fully implemented, the tax rate will be 40.5 per cent.

Starting July 1, 1996, those with higher incomes will pay a new Fair Share Health Care Levy. This levy will offset in part the 30.2 per cent rate cut for those with higher incomes.

All taxpayers with incomes of \$60,000 or less will see their taxes fall by 30 per cent or more.

Income Group (\$)	Share of All Taxpayers (%)	Average Ontario Tax Cut When Fully Implemented (%)
Less than 14,900	10.0	41.4
14,900 - 19,175	10.0	33.7
19,175 - 23,530	10.0	32.3
23,530 - 28,000	10.0	31.8
28,000 - 32,500	10.0	31.4
32,500 - 37,700	10.0	30.9
37,700 - 44,050	10.0	30.5
44,050 - 53,200	10.0	30.4
53,200 - 67,300	10.0	30.3
67,300 - 69,250	1.0	29.6
69,250 - 71,750	1.0	29.3
71,750 - 74,600	1.0	28.4
74,600 - 78,500	1.0	27.5
78,500 - 83,700	1.0	26.6
83,700 - 90,750	1.0	25.6
90,750 - 102,500	1.0	24.6
102,500 - 123,000	1.0	23.2
123,000 - 172,500	1.0	21.7
172,500 - 247,500	0.5	19.6
247,500+	0.5	17.9
Total/Average	100.0	31.8

Includes impact of income tax rate cut, Ontario Tax Reduction adjustment, and Fair Share Health Care Levy.

A MORE PROGRESSIVE TAX SYSTEM

Sixty-four per cent of the benefits from this tax cut will be concentrated on middle-income Ontarians earning between \$25,000 and \$75,000.

Ontario's income tax cut, combined with the Fair Share Health Care Levy, will make the tax system more progressive.

The marginal tax rate on those with higher incomes will be reduced to 49.6 cents on each additional dollar earned—the second lowest in Canada.

People will have more dollars to spend, more dollars to pay down their debts, more dollars to invest in new businesses, and more incentive to create jobs in Ontario.

—Ontario Finance Minister Ernie Eves

Cutting payroll taxes that kill jobs

To help business create jobs, the government is exempting the first \$400,000 in annual payroll from the Employer Health payroll tax.

This tax cut will be introduced in three steps, starting January 1, 1997, and will be fully implemented on January 1, 1999.

By 1999, 88 per cent of employers will no longer have to pay this tax. That means 270,000 employers can spend less time filling out forms for the government and more time doing productive work.

To further reduce the payroll tax burden, the government will deliver on its commitment to reduce the average Workers' Compensation assessment rate by five per cent.

A tax refund for first-time buyers of newly constructed homes

To encourage people who have been waiting to buy their first home, first-time buyers who purchase a newly constructed home after May 7, 1996 and before March 31, 1997 will receive a refund of their Land Transfer Tax. The maximum refund will be \$1,725, equivalent to the tax on a \$200,000 home. Coupled with lower interest rates and more affordable pricing, this measure will help bring home ownership within reach for more families.

Bringing jobs and growth to Northern Ontario

The Northern Ontario Heritage Fund Corporation will direct its financial resources towards:

- the development and marketing of regional tourism enhancement projects;
- telecommunications and transportation infrastructure improvement; and
- other economic development initiatives to ensure Northern communities remain attractive places to live and work.

A total of \$138 million will be provided in 1996-97 for repairing northern roads — up \$40 million from last year.

Accelerating Ontario's economic growth

Between June 1995 and March 1996, Ontario's private sector created 90,000 jobs. That's well over 300 net new private sector jobs every day.

To date this year we have more jobs in manufacturing than a year ago, more jobs in construction, more jobs in services, more jobs in the wholesale and retail sector, and more jobs in transportation and communications.

Investors are recognizing that Ontario is once again a good place to do business. Investment stands at record-high levels, and Ontario's investment growth is outpacing the rest of Canada.

Tax cuts and job gains key to improving confidence

Consumer spending is expected to revive with lower taxes, solid job gains and a rebound in consumer confidence.

Real consumption is projected to rise by 1.2 per cent in 1996 and accelerate to an average 3.1 per cent in 1997 and 1998, about the same pace as disposable income. A large portion of the rise in spending is directly attributable to the personal income tax cuts that boost disposable income.

New jobs and wage gains will lead to stronger income growth.

The savings rate is expected to average about 8.0 per cent, which means consumers will spend about 92 cents out of every after-tax dollar earned.

Lower taxes and low interest rates will help people pay down their debts, further strengthening consumer confidence. Low interest rates reduce the monthly payments on consumer loans, easing the burden of high debt levels.

BUILDING A BETTER TOMORROW

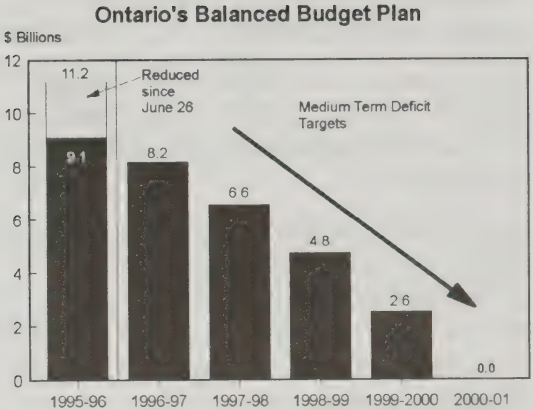
SPENDING TAX DOLLARS WISELY

We have made a commitment to balance the budget in the fiscal year 2000-01. And we are on track to do that.

In June we faced a deficit of \$11.2 billion for 1995-96. I said last summer that, by acting quickly to start bringing spending under control, we could reduce that figure. We met our deficit target of \$9.3 billion -- and in fact improved on it. Our deficit for the year just ended will be \$9.1 billion.

This year we expect to meet our deficit target again. Our deficit will fall to \$8.2 billion. That's a drop of \$3 billion, or 27 per cent, since we took office.

— Ontario Finance Minister Ernie Eves



Ontario Opportunities Fund

Eliminating the deficit today means more opportunities for young people tomorrow.

To accelerate the pace of debt and deficit reduction, the government is establishing the Ontario Opportunities Fund. The Fund will receive contributions from Ontarians, proceeds from major asset sales, and any funds that remain once the deficit target has been met each year.

Ontario Savings Bonds

To give as many people as possible an additional opportunity to invest in their province and build a better Ontario, the Government will offer Ontario Savings Bonds from June 1 to June 17.

Buying Ontario Savings Bonds means that we can reduce our reliance on international lenders — at the same time ensuring that more of Ontario's interest payments will stay here at home.

Assisting parents and their children

The government has introduced specific actions to make a real and direct improvement in the lives of our children.

The government is investing in nutrition for children.

The government is forming a partnership with the Canadian Living Foundation for Families, to help parents and communities set up and expand local nutrition programs. The Government will provide up to \$5 million this year in start-up funding for this initiative.

The government is helping children who have speech and language disorders.

This Budget provides \$10 million this year, growing to \$20 million in future years, to expand services for pre-school children with speech and language disorders.

The government is investing in children's health.

Proper education and supports can help young mothers avoid giving birth to babies with low birth weights—which is a major cause of infant death. This Budget provides \$10 million annually to support expectant mothers and families with children under six years old, especially those who would otherwise be at risk. These actions will help more children have a healthier start in life.

\$600 million for child care

The government will increase the Province's support for child care by \$200 million over the next five years, above current funding levels.

This year alone, it will spend \$600 million, the highest level in the history of the province. It is reviewing child care programs to ensure that funding is provided to those most in need and that parents have affordable child care alternatives.

Co-operative Education Tax Credit

To help ensure that students have enhanced employment opportunities, the government will introduce a Co-operative Education Tax Credit of up to \$1,000 per co-op placement effective September 1, 1996.

This refundable tax credit will provide corporations with a tax savings equal to 10 per cent of the costs of hiring a student who is participating in a recognized co-op program at an Ontario college or university.

Ontario Student Opportunity Trust Funds

To encourage companies and individuals to contribute to funds for Ontario's students, every college and university will have the opportunity to establish an Ontario Student Opportunity Trust Fund.

The Province will match any donation to these trust funds made after Budget day and before March 31, 1997. Monies from each fund will be used to assist academically qualified individuals who for financial reasons would not otherwise be able to attend college or university.

Quality health care

Ontarians value our health care system, and they want us to manage it in a way that protects it for the future. I said that we would ask hospitals to find savings and that we would reinvest these savings into other health priorities.

I said we would not let health care spending fall below the \$17.4 billion benchmark we have established. In spite of the federal government's cuts to health care, we are meeting this commitment. This year's operating budget for the Ministry of Health will be \$17.7 billion.

— Ontario Finance Minister Ernie Eves

The best way to keep Ontarians healthy is to detect signs of illness early, to act quickly, and to prevent problems before they start.

The government is spending health care dollars wisely, by:

- expanding a program to aid in the early detection and treatment of breast cancer, which affects 6,000 women in Ontario each year.
- reinvesting \$25 million to help hospitals serve areas of high population growth.
- reinvesting \$170 million this year to provide seniors and people with disabilities with care at home instead of in institutions. This means an additional

80,000 people will receive services such as in-home nursing care, housekeeping and meal programs, creating 4,400 new health care jobs in community settings.

- expanding emergency paramedic services, by providing training and by equipping over 400 paramedics across the province to perform life-saving emergency care procedures.

Excellence in classroom education

Ontarians have told the government to make sure our school system provides our children with an excellent education, but to rein in spending outside of the classroom. We are doing what the people have asked.

— Ontario Finance Minister Ernie Eves

The government is announcing a series of collaborative projects that will expand the use of leading-edge computer technology projects in our schools. We are doubling funding available for innovative uses of technology in the classroom to \$40 million. This amount will be matched by equal funding from school boards and the private sector.

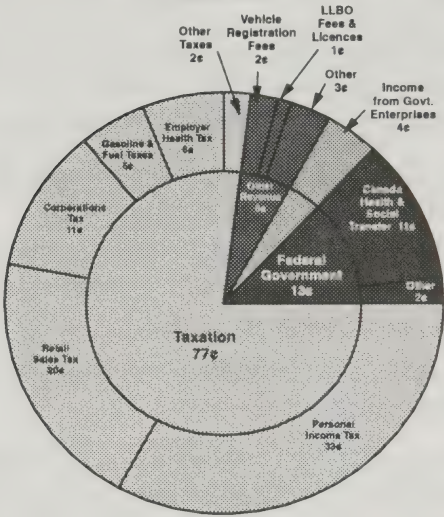
The changes we are making are based on our belief that Ontario can have a better future.

- *An Ontario that has freed its children and grandchildren from the burden of government deficits and growing debt.*
- *An Ontario that provides programs that will take care of people in need of permanent help and gives a hand up to those requiring temporary assistance.*
- *An Ontario that leads Canada in jobs, in investments, in health care, in education and community safety.*
- *An Ontario that creates a society that not only believes in compassion and justice, but has the financial capacity to make it a reality.*

With these initiatives, the people of Ontario can meet the challenges of the twenty-first century confident that tomorrow will be better than today for themselves — and for their children.

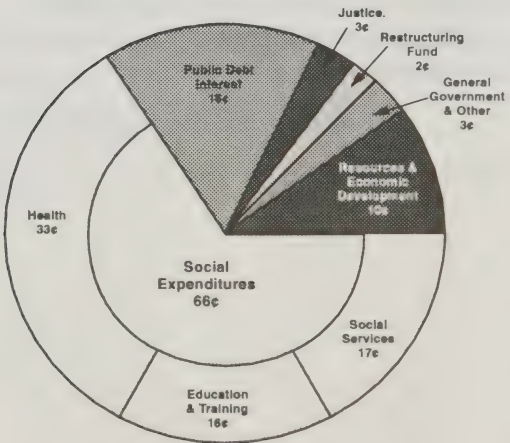
— Ontario Finance Minister Ernie Eves

The Budget Dollar: Revenue 1996-97



PSAAB Basis

The Budget Dollar: Total Expense 1996-97



PSAAB Basis



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“The people of Ontario want to know that tomorrow will be better than today — for themselves, and for their children.”